Melville Annual Report 1974

Melville Shoe Corporation Annual Report 1974

Highlights

	1974	1973	Percent Change
Net Sales	**$765,059,121**	$710,545,140	+ **7.7**
Earnings before Federal Income Taxes and Minority Interests	**49,053,995**	56,364,549	− **13.0**
Net Earnings	**26,835,400**	30,605,583	− **12.3**
Dividends on Common Stock	**11,364,080**	10,921,553	+ **4.1**
Net Earnings Per Share of Common Stock	**1.08**	1.23	− **12.2**
Dividends Per Share of Common Stock	**.463**	.445	+ **4.0**
Net Earnings as a Percent of Net Sales	**3.51%**	4.31%	
Cash	**30,842,202**	15,042,475	+**105.0**
Inventories	**155,304,106**	173,117,954	− **10.3**
Net Working Capital	**146,708,293**	133,457,524	+ **9.9**
Shareholders' Equity	**173,368,485**	158,251,029	+ **9.6**
Average Common Shares Outstanding	**24,552,311**	24,536,153	+ **0.1**
Number of Stores	**2,766**	2,590	+ **6.8**
Number of Employees	**26,165**	27,232	− **3.9**

Number of Shareholders: approximately 19,200

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President's Report

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CORPORATION FILE

Melville Shoe Corporation achieved a new high in sales in 1974 but earnings were reduced by 12.3%, the first decline in eleven years. Sales increased 7.7% to $765,059,121 from the 1973 total of $710,545,140. Net earnings, after minority interests, were $26,835,400 compared to $30,605,583 for 1973. Earnings per share were $1.08 as compared with $1.23 in 1973.

In January 1975, the dividend was increased to an annual rate of 48¢ compared to 46.3¢ during 1974. During the year, 287 stores were opened and 111 were closed, increasing the total number of units to 2,766 as of December 31, 1974.

Earnings for each of the first three quarters, although behind last year, showed an improving trend. Earnings for the fourth quarter increased over last year.

There were, obviously, many factors in the economy that adversely affected our business in 1974 preventing us from meeting our sales goals. However, through concerted effort, we were able to control expenses and reduce inventories. As of December 31, 1974 our inventory was $17,813,848 less than December 31, 1973, with 176 more stores in operation.

For the year, Thom McAn, Meldisco, Miles, Foxmoor and CVS all showed profit increases. Although our shoe manufacturing division showed less profit than the previous year, the major unfavorable swing in profitability came from our men's apparel divisions—Chess King and Metro Pants. These three divisions alone cost us 31¢ a share on a comparable basis. All necessary markdowns were taken in 1974 in both Chess King and Metro Pants, and with a new management team in Chess King, we expect improved results.

During the year, we closed three shoe factories—two in New Hampshire and one in Tifton, Georgia to bring our manufacturing productive capacity of men's and boys' dress-type shoes in line with demand for this merchandise. We now have a total of seventeen footwear manufacturing plants.

We mentioned in our last report that Foxmoor was experimenting with a small group of discount women's apparel stores called Clothes Bin. This is going along well and has grown to 21 stores.

Melco, presently a chain of 23 self-service discount roadside shoe stores, is being phased out. Ten of these stores will be converted to Thom McAn and four to Clothes Bin. We plan to sublease the remaining nine stores. Melcraft, which consisted of only one arts and crafts retail store, has been closed.

On February 12, 1975, Melville and S. S. Kresge announced an agreement in principle to strengthen and extend the relationship of K-Mart and Meldisco. License agreements for existing and new stores will now have terms of 25 years, subject to performance standards applicable after the first ten years. There will be no change in basic rental provisions. Kresge will increase its equity share in existing Meldisco operations from the present 25% to 49% through additional investment over a 4-year period, and Kresge and Melville will also share investment on a 49-51% basis in all new K-Mart Shoe operations to be opened during the next ten years. Based on presently available estimates of volumes of business, it is expected that the proposal would initially maintain Melville's earnings from its Meldisco operations at approximately 1974 levels, and we look forward to increasing them as new stores are opened.

During 1975 we plan to open approximately 240 new stores and leased departments, 110 of which will be Meldisco departments in K-Mart stores. The 717 departments that Meldisco had as of December 31, 1974 were all with the K-Mart division of S. S. Kresge Company.

Looking ahead, we see the first quarter as an opportunity to show improvement, particularly with Easter earlier this year than last. The year as a whole, however, is a fair question in anyone's mind based on the economic factors. From an internal standpoint, we are optimistic based on the fact that our inventories are in a much better condition, our continuing emphasis on expense control, and important new management changes. E. S. Fitzgibbons has been elected Senior Vice President and a director of Melville whose responsibility will be to oversee both the Thom McAn and the Melville footwear manufacturing divisions; J. Richard Nedder, previously President of the Miles division is now General Manager of Thom McAn; Herbert A. Cohen, formerly with our CVS division, is now President of Miles; and Michael J. Boyle, formerly with our Metro Pants division, is now President of Chess King. Francis H. Gleason, Senior Vice President of Melville and Chairman of the J. F. McElwain Company, our footwear manufacturing division, will retire in May of this year after having served with the company for forty years. We want to express our appreciation to Mr. Gleason for his many contributions to the company and are pleased to say that he has agreed to continue as a director of the corporation.

I would like to thank all of the people within Melville for their continuing cooperation.

Francis C. Rooney Jr.

Francis C. Rooney, Jr.
President and Chief Executive Officer
February 20, 1975

Thom McAn

Sales of Thom McAn, Melville's largest division and long-time leader in the popular-priced family footwear field, slowed during the year under the combined impact of the gasoline shortage, the recession, and the abrupt shift from men's dress to casual styles.

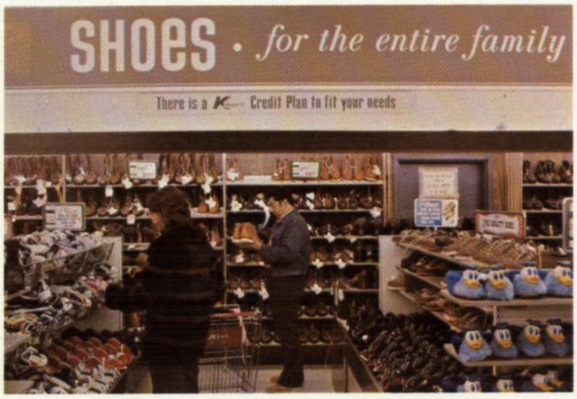
However, a late-year surge pushed fourth-quarter men's pairs and dollars totals ahead of last year. Major factors contributing to the recovery included intensified promotional activity, greater emphasis on casual styles, and the television advertising campaign carried out by Thom McAn's new agency, BBD&O. Direct sales to dealers continued to increase, as did women's footwear volume.

During the year Thom McAn opened three experimental family stores divided into men's, women's and children's sections with self-selection in the women's section of the stores and conventional service in the men's and children's departments. Results show increased dollar sales in each section. The division also developed new women's footwear distribution and merchandising systems which facilitate the monitoring of fashion trends with computers.

Continued value/price promotional events are planned for all of 1975, plus a significant increase in advertising with emphasis on T.V., and stressing Thom McAn value. New categories of merchandise, introduced in 1974 and expected to be strong in 1975 include *Exersoles*, a leather shoe with a special posture aiding bottom, Thom McAn *JOX* (athletic footwear for men and boys) and *"Woodie"* sandals for women; all are manufactured by Melville Manufacturing.

The fourth-quarter trend of increased repeating store sales and increased profitability is expected to continue through 1975.

Meldisco


SHOES · for the entire family
There is a K-mart Credit Plan to fit your needs

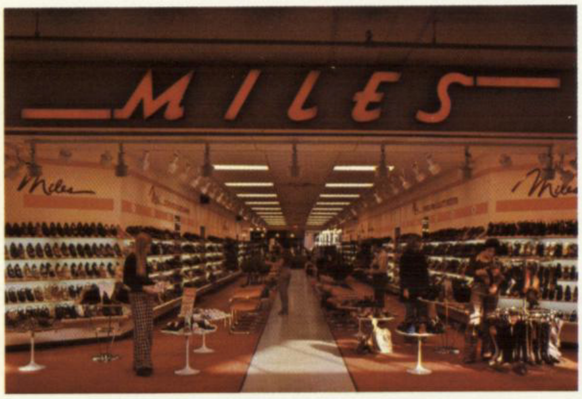
Despite difficult economic conditions, 1974 was a good year for Meldisco, Melville's leased family self-service division, which operates departments in Kresge's large volume K-Mart promotional department stores. While the year's gross margins were lower as the result of maintaining competitive price levels under cost pressures, sales increased on both a same-store and an overall basis. Intensified promotional activity utilizing television and rotogravure sections in newspapers helped boost volume as promotional merchandise continued to make up an increasing percentage of total sales.

As volume increased, major steps were taken to maintain and expand margins by reducing inventory and operating costs. Largely through the efforts of a newly established Inventory Management Committee, inventories were down 19% from 1973 as of December 31 while 1974 sales volumes increased over 13%. Also such critical expense items as distribution costs and merchandise shortages were reduced. Operational efficiencies and capabilities were further improved with the completion of a new 200,000 sq.-ft. distribution center in Atlanta, Georgia, and the opening of a larger facility in Compton, California.

The announced agreement in principle between Melville and K-Mart gives Meldisco the assurance it needs in order to continue to commit on a long term basis the manpower and resources necessary to the continuing success of the division.

Thom McAn
MEN SHOP
Best selling Shoe in all America
Thom McAn
EXERSOLE
down to earth comfort
Thom McAn

Miles



The Miles Shoe division performed a real turnaround in 1974 and contributed respectably to Melville's earnings. Miles made substantial progress during the year in its transition from a family chain to a specialty merchandiser in high-fashion, moderately priced footwear, appealing primarily to the young suburban woman.

Lines were further upgraded through the increased use of leather and high quality urethane for uppers. The Miles version of the wedge look, especially in the sandal-type versions with open heels and toes, won good customer acceptance. Buffalo sandals and such dress-down looks as work shoes and oxfords, sport-shoe styles and models with plantation crepe soles were other well received categories.

Also during the year Miles successfully reentered the hosiery business with an improved product and package and introduced an upgraded handbag line, emphasizing high styling and the increased use of leather.

Extended use of open displays allowing the customer to examine the merchandise at close hand and "assisted self-service" enabling her to make her own choices assisted by sales personnel further improved service and sales.

Operationally, Miles initiated programs to reduce costs, improve quality control and achieve a more rapid inventory turn-over. Employee training was further intensified to increase the product knowledge of sales personnel and improve customer relations.

Vanguard

VANGUARD
VANGUARD
Shoes for Men from the World's Finest Cobblers

Melville's specialty footwear operation in the 18-29-year-old, middle-to-upper income men's market showed same-store increases during the year despite the negative influences of the recession and the sharp shift in customer preferences from men's dress shoes to more casual lines.

Countering changes in its market, Vanguard cut down the number of its basic dress shoe styles, in stock and on display, replacing them with more casual footwear, including highly popular quality athletic footwear.

At the same time, through the development of a specific merchandising program for each store, total inventory, turn-over rate and carrying costs were reduced, with corresponding increases in operational efficiency. Merchandising capabilities were further strengthened through the introduction of a new store format with greater customer appeal and an expanded training program designed to keep the sales staff better informed as to merchandise characteristics and more responsive to the needs of the customer.

feminine
candy

CVS

Combining volume purchasing of name-brand products, competitive prices and customer convenience, CVS, Melville's health and beauty-aid chain, performed well under the recession conditions of the past year showing a profit increase well in excess of their percentage increase in sales. The chain expanded in the important New York City metropolitan market, which it entered several years ago, and further improved its position in other major markets.

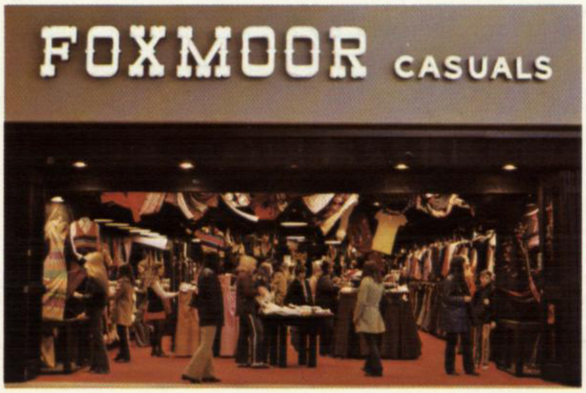
CVS moved into New York State with the acquisition in 1972 of the Clinton Merchandising Stores health and beauty-aid chain, which has now been effectively integrated into the CVS operation with the elimination of unprofitable Clinton merchandise lines, departments and stores. Store supervision and warehouse operations have also been strengthened.

CVS also tightened operating efficiencies throughout its system with the initiation of an inventory control program to improve the quality and reduce the quantities of store and warehouse inventories.

Prescription departments, which are both profitable and good traffic builders, were introduced into additional CVS stores, as were other successful new units such as pet supplies, greeting cards and Russell Stover franchise candy departments.

CVS further supported its merchandising operations during the year through an expanded advertising promotion program utilizing eight-page inserts in local newspapers. Another important sales aid was the newly introduced store manager's incentive program.

Foxmoor

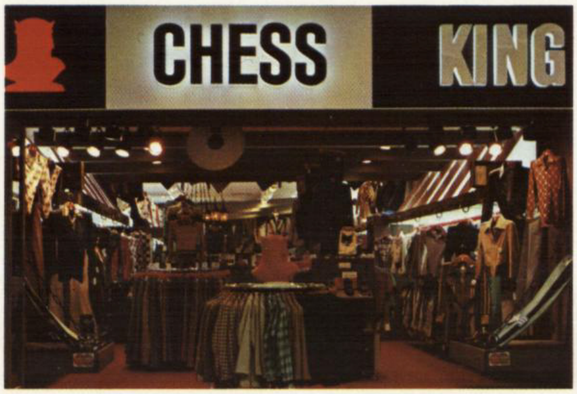


Foxmoor Casuals, Melville's specialty chain in the 15-24-year-old women's middle-income apparel market, enjoyed an excellent year. They started slowly in 1974 as the gasoline shortage and changes in fashion preference kept customers away from the stores. However, a quick adjustment in merchandise emphasis, from tops and jeans to dressier trouser and shirt combinations, a stepped-up promotional program and the maintenance of competitive price lines helped Foxmoor bring a turn-around in July that continued throughout the remainder of the year.

As volume increased, margins were improved through reductions in operating costs and expanded purchases of imported coats, pants, handbags and tops.

The experimental women's discount apparel concept initiated in 1973 under the Clothes Bin name worked out well as the number of stores increased to 21 during the year, with more planned for 1975. Foxmoor began operations in its new distribution center at West Bridgewater, Massachusetts in August 1974. Designed to serve 400 stores, it will enable the division to achieve additional economies and efficiencies.

Chess King



The operations of Melville's young men's apparel chain, Chess King, were substantially affected during 1974 by the general decline in men's apparel purchases and the change in young men's fashions from the casual jean look to the casual dress look, featuring leisure suits. In addition to the external factors that affected Chess King's business it became necessary to change the management because of a lack of merchandise control resulting in excessive markdowns.

Michael Boyle was appointed President of Chess King in June 1974, having come from our Metro Pants division; he was previously a merchandise manager in the department store field.

In that the strength of Chess King, a pioneer in the young men's specialty apparel field, has traditionally been in such casual attire as jeans and shirts, the fashion change-over has required an extensive revamping of merchandise lines with a strong emphasis on dress slacks, cut-and-sewn print shirts and casual suits.

With price becoming increasingly important in young menswear, Chess King, through its volume purchasing and integration with Melville's apparel manufacturing division, Metro Pants, can lead from strength in price competition in most of its merchandise categories. Display changes, advertising programs and personnel training programs are being developed to improve the chain's merchandising capabilities. Operational improvements, such as an expanded EDP system and greater emphasis on cost and inventory controls have been initiated to help improve margins.

Melville Shoe Manufacturing

During the past year Melville's Footwear Manufacturing Division, which includes J. F. McElwain, Miller Shoe, Blue Ridge and Puerto Rico, was adversely affected by raw materials shortages, the overall decline in retail sales and the major shift in consumer preference from men's dress footwear to casual styles and sneakers.

Responding to these pressures, the division closed two factories in New Hampshire and one in Georgia and substantially reduced the overall work force. At the same time Melville Manufacturing converted production lines in several plants from dress shoe construction to leisure footwear, and the production of the popular sandal and wood categories of women's shoes was increased at the Miller plants.

In strengthening other aspects of its operations, Melville Manufacturing further integrated its activities with the Thom McAn and Meldisco divisions to achieve greater efficiencies and more rapid style changeovers. The division also increased emphasis on quality control through the facilities of the Melville Testing Laboratory and intensified its Research and Development programs in the search for replacements for scarce and expensive raw materials.

As of the end of the year there were in operation seven footwear plants in New Hampshire, five in North Carolina, and one each in Maine, Massachusetts, Tennessee, Puerto Rico and Spain.

Metro Pants

The operations of Metro Pants, Melville's men's apparel manufacturing division, were adversely affected during the year by changes in consumer preference and heavy inventory back-ups at the retail level to the point where this division was unprofitable for the year. Metro's Spotwood operation, which manufactures pants for men, was especially affected as sales of dress pants weakened while demand increased sharply for jacket and pants combinations, or leisure suits.

The developments in fashion preference and economic conditions led Metro to reduce the work force and production levels at its Virginia and Mississippi factories. The Amory, Mississippi plant, purchased last year, was converted from pants to jacket manufacturing in response to the increasing demand for leisure suits. Inventory control was tightened at all facilities through the establishment of a company-wide inventory-control committee.

Also during the year, Metro inaugurated a limited import program under its SOHO label and made plans to expand Spotwood's well received European-styled Tivoli line and its line of Western jeans for men under the Canyon label. These lines, along with the possible addition of new chain store accounts, hold promise for the future.

Financial Review

Earnings

Consolidated net earnings, after minority interests, were lower for the first time in eleven years amounting to $26,835,400 for 1974, a decrease of 12.3% as compared to $30,605,583, a year ago.

Earnings per common share amounted to $1.08 as compared to $1.23 for 1973, a decrease of 12.2%.

Sales

Consolidated net sales reached a new high amounting to $765,059,121 for 1974, an increase of 7.7% as compared to $710,545,140 a year ago.

Dividends

During 1974, the Company paid a dividend of $.46284 per share. The quarterly dividend on common stock was increased to $.12 per share in January, 1975. On an annual basis, the quarterly dividend amounts to $.48 per share.

Property, Plant and Equipment

Capital additions for the year 1974 amounted to $18,070,993 as compared to $24,285,970 in 1973.

Depreciation charged for the year 1974 was $12,555,637 and $10,913,557 for the year 1973.

Sales by Division

	Sales (000's omitted)			Number of Stores		
	1974	1973	**Percent Change**	**1974**	1973	**Percent Change**
Footwear						
Thom McAn	**$242,501**	$244,685	**− 0.9**	**1,047**	1,033	**+ 1.4**
Meldisco	**240,050**	211,284	**+13.6**	**717**	639	**+12.2**
Miles	**41,759**	39,970	**+ 4.5**	**204**	208	**− 1.9**
Melco	**6,188**	5,927	**+ 4.4**	**23**	28	**−17.9**
Vanguard	**5,918**	3,369	**+75.7**	**47**	35	**+34.3**
McElwain*	**1,382**	2,102	**−34.3**	—	—	—
Spain*	**2,051**	1,057	**+94.0**	—	—	—
Melmark	**573**	—	—	—	—	—
Total Footwear	**$540,422**	$508,394	**+ 6.3**	**2,038**	1,943	**+ 4.9**
Percent of Total Sales	**70.6**	71.5				
Non-Footwear						
Health and Beauty Aids:						
CVS	**$114,806**	$ 97,135	**+18.2**	**232**	220	**+ 5.5**
Percent of Total Sales	**15.0**	13.7				
Apparel:						
Chess King	**38,826**	42,006	**− 7.6**	**238**	204	**+16.7**
Foxmoor	**55,248**	45,195	**+22.2**	**258**	223	**+15.7**
Metro*	**15,757**	17,815	**−11.6**	—	—	—
	109,831	105,016	**+ 4.6**	**496**	427	**+16.2**
Percent of Total Sales	**14.4**	14.8				
Total Non-Footwear	**$224,637**	$202,151	**+11.1**	**728**	647	**+12.5**
Percent of Total Sales	**29.4**	28.5				
Total MSC	**$765,059**	$710,545	**+ 7.7**	**2,766**	2,590	**+ 6.8**

***Interdivisional sales of $81,599 in 1974 and $91,237 in 1973 (000's omitted) have been excluded.**

Distribution of Sales Revenue

	1974	1973
Received from the sale of products	**$765,059,121**	$710,545,140
Paid for materials, merchandise and all expenses, exclusive of taxes and other amounts paid to or for the benefit of employees	**561,991,716**	505,384,163
Remainder	**203,067,405**	205,160,977
This was divided as follows:		
Wages and compensation	**133,559,345**	129,712,891
Taxes	**39,277,065**	41,759,537
Minority interests	**3,395,595**	3,082,966
Paid to shareholders or retained in the business	**26,835,400**	30,605,583

Store Expansion by Division

	1974			1975 (Estimated)		
	Open	Close	End	Open	Close	End
Thom McAn	55	41	1,047	59*	24	1,082
Meldisco	114	36	717	110	—	827
Miles	5	9	204	7	7	204
Melco	1	6	23	—	23*	—
Vanguard	12	—	47	3	—	50
CVS	25	13	232	26	12	246
Chess King	36	2	238	15	—	253
Foxmoor	38	3	258	34*	—	292
Melcraft	1	1	—	—	—	—
TOTAL	287	111	2,766	254	66	2,954

*Includes 10 stores to be converted to Thom McAn and 4 stores to Clothes Bin.

Summary of Quarterly Results

(000's Omitted)

	Net Sales		Percent Change	Net Earnings		Percent Change	Per Share Amounts of Common Stock			
							Dividends Paid		Market Price	
	1974	1973		1974	1973		1974	1973	1974	1973
First Quarter	$144,005	$138,429	4.0	$ 877	$ 2,709	(67.6)	$.116	$.108	9 -11⅞	24¾-34
Second Quarter	204,720	190,342	7.6	7,385	8,671	(14.8)	.116	.108	6 -10	19 -29⅜
Third Quarter	195,154	180,918	7.9	7,720	8,450	(8.6)	.116	.114	6⅜- 9½	21⅛-27⅛
Fourth Quarter	221,180	200,856	10.1	10,853	10,776	0.7	.115	.115	4¾- 8¾	9 -26
Total Year	$765,059	$710,545	7.7	$26,835	$30,606	(12.3)	$.463	$.445	4¾-11⅞	9 -34

Consolidated Statement of Earnings

Years ended December 31, 1974 and 1973	**1974**	1973
Net sales	**$765,059,121**	$710,545,140
Cost of goods sold, buying and warehousing costs	**457,349,093**	415,679,261
	307,710,028	294,865,879
Store operating, selling, general and administrative expenses	**241,350,385**	224,625,523
Depreciation and amortization	**12,555,637**	10,913,557
Interest charges	**5,807,656**	3,696,459
	259,713,678	239,235,539
	47,996,350	55,630,340
Other income—net	**1,057,645**	734,209
Earnings before Federal income taxes and minority interests	**49,053,995**	56,364,549
Provision for Federal income taxes (note 3)	**18,823,000**	22,676,000
	30,230,995	33,688,549
Minority interests in net earnings	**3,395,595**	3,082,966
Net earnings	**$ 26,835,400**	$ 30,605,583
Net earnings per share—common stock	**$ 1.08**	$ 1.23

Consolidated Statements of Shareholders' Equity

Years ended December 31, 1974 and 1973

	Series B Cumulative Preferred Stock	**Common Stock**	**Capital Surplus**	**Retained Earnings**	**Treasury Stock**
Balance at December 31, 1972	$8,889,400	$24,442,311	$4,119,288	$100,484,517	$ (278,360)
Net Earnings				30,605,583	
Purchase of Series B preferred shares for treasury (7,267 shares)					(515,662)
Dividends					
Series B preferred ($4.00 per share)				(327,385)	
Common ($.445 per share)				(10,921,553)	
Exercise of stock options (110,000 shares)		110,000	1,642,890		
Balance at December 31, 1973	$8,889,400	$24,552,311	$5,762,178	$119,841,162	$ (794,022)
Net Earnings				26,835,400	
Purchase of Series B preferred shares for treasury (648 shares)					(45,302)
Dividends					
Series B preferred ($4.00 per share)				(308,562)	
Common ($.463 per share)				(11,364,080)	
Balance at December 31, 1974	$8,889,400	$24,552,311	$5,762,178	$135,003,920	$ (839,324)

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

as of December 31, 1974 and 1973	1974	1973
Assets		
Current assets:		
Cash	$ 30,842,202	$ 15,042,475
Accounts receivable, less allowance for doubtful accounts	17,351,225	17,041,363
Inventories	155,304,106	173,117,954
Prepaid expenses	2,980,298	3,061,047
Total current assets	206,477,831	208,262,839
Property, plant, equipment and leasehold improvements, at cost (note 2):		
Land	2,698,978	2,653,696
Buildings	12,302,000	12,229,103
Machinery and equipment	10,828,952	10,675,590
Store and office fixtures, improvements to leased properties and miscellaneous equipment	124,038,335	111,358,435
	149,868,265	136,916,824
Less accumulated depreciation and amortization	69,804,234	60,332,378
Net property, plant, equipment and leasehold improvements	80,064,031	76,584,446
Deferred charges and other assets (note 2)	3,141,160	3,160,224
	$289,683,022	$288,007,509

See accompanying notes to consolidated financial statements.

	1974	1973
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 56,676,263**	$ 71,227,866
Federal income taxes (note 3)	**2,428,423**	2,870,144
Current installments on long-term debt (note 4)	**664,852**	707,305
Total current liabilities	**59,769,538**	74,805,315
Long-term debt (note 4)	**34,985,375**	35,659,427
Deferred credit	**180,450**	310,450
Deferred credit on condemnation of property (note 2)	**6,620,000**	6,620,000
Deferred Federal income taxes (note 3)	**2,880,647**	1,994,007
Lease obligations for closed stores	**546,281**	658,655
Minority interests in subsidiaries	**11,332,246**	9,708,626
Shareholders' Equity (notes 4 and 5):		
Preferred stock, Series B, $4.00 dividend, par value $100, redeemable at par plus accrued dividends; authorized 192,244 shares; issued 88,894 shares in 1974 and 1973	**8,889,400**	8,889,400
Common stock, par value $1.00, authorized 30,000,000 shares; issued and outstanding 24,552,311 in 1974 and 1973	**24,552,311**	24,552,311
Capital surplus	**5,762,178**	5,762,178
	39,203,889	39,203,889
Retained earnings	**135,003,920**	119,841,162
	174,207,809	159,045,051
Less cost of preferred shares in treasury (11,915 shares in 1974 and 11,267 shares in 1973)	**839,324**	794,022
	173,368,485	158,251,029
	$289,683,022	$288,007,509

Commitments and contingencies (notes 4 and 6)

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1974 and 1973	**1974**	1973
Source of Funds:		
Net earnings	**$26,835,400**	$30,605,583
Expenses not requiring outlay of working capital:		
Depreciation and amortization	**12,555,637**	10,913,557
Minority interests in net earnings	**3,395,595**	3,082,966
Increase in deferred Federal income taxes	**886,640**	805,813
	16,837,872	14,802,336
Working capital provided from operations	**43,673,272**	45,407,919
Increase in long-term debt	**600,000**	2,125,000
Proceeds from sale of common stock under stock option plans	**—**	1,752,890
Dispositions of property, plant and equipment	**2,035,771**	1,608,997
Decrease in deferred charges and other assets	**19,064**	388,621
	46,328,107	51,283,427
Application of Funds:		
Additions to property, plant and equipment	**18,070,993**	24,285,970
Reduction in long-term debt	**1,274,052**	1,307,305
Reduction (net) in lease obligations on closed stores	**112,374**	255,875
Cash dividends paid	**11,672,642**	11,248,938
Dividends paid to minority interests net of proceeds from sale of subsidiaries' capital stock	**1,771,975**	1,058,275
Purchase of treasury stock-preferred	**45,302**	515,662
Reduction of deferred credit	**130,000**	130,000
	33,077,338	38,802,025
Net increase in working capital	**$13,250,769**	$12,481,402
Net increase in working capital is comprised of:		
Increase (decrease) in current assets:		
Cash	**15,799,727**	(16,098,775)
Accounts receivable	**309,862**	(2,910,329)
Inventories	**(17,813,848)**	42,369,533
Prepaid expenses	**(80,749)**	(105,560)
	(1,785,008)	23,254,869
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	**(14,551,603)**	18,502,995
Federal income taxes	**(441,721)**	(7,865,276)
Current installments on long-term debt	**(42,453)**	135,748
	(15,035,777)	10,773,467
	$13,250,769	$12,481,402

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Melville Shoe Corporation and its subsidiary companies, which are wholly-owned, except for an 80% owned foreign manufacturing subsidiary, certain 75% owned retail subsidiaries (see note 7), and a 55% owned foreign purchasing subsidiary. The total assets and net earnings of the two foreign subsidiaries are insignificant in relation to the consolidated financial position and results of operations for 1974 and 1973. All intercompany items and transactions have been eliminated.

Inventories: Consolidated inventories are stated at the lower of cost or market. Inventories of the manufacturing operations are determined primarily on a first-in, first-out cost basis with 29.2% valued on a last-in, first-out (LIFO) basis. Inventories of the retail operations are determined primarily by the retail method with 5.7% valued on a LIFO basis. For the inventories valued at LIFO cost (9.3% of total consolidated inventories), current cost exceeded such LIFO cost at December 31, 1974, by $9,868,954 and at December 31, 1973, by $9,373,387.

Depreciation and Amortization: Depreciation and amortization of plant, equipment, and leasehold improvements are provided for accounting purposes on the straight-line method over the estimated useful lives of the assets. It is the policy of the footwear manufacturing division to charge lasts, dies, and patterns to expense in the year of their purchase.

Maintenance and Repairs: Maintenance expense and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Major renewals or replacements are capitalized after making necessary adjustments in the asset and accumulated depreciation accounts for the items renewed or replaced.

Federal Income Taxes: The Company accounts for the investment tax credit under the flow-thru method for both financial and income tax purposes. Deferred Federal income taxes are provided to reflect the difference in timing of certain transactions for accounting and tax purposes. Such differences arise primarily from depreciation, lease obligations and expenses relative to closed stores, and proceeds and costs relative to the condemnation proceeding. The Company and its 100%-owned subsidiaries file a consolidated Federal income tax return.

Pension Plans: The Company and its subsidiaries have several pension plans which cover substantially all of the employees. The provision for pension costs includes amortization of prior service costs, less amortization in annual installments to 1978 of a deferred credit representing the amount provided for pensions prior to adoption of funding for all plans. Prior service costs are being amortized on a straight-line basis over 30 years.

At December 31, 1974 the actuarily computed value of vested benefits exceeded the total of pension funds and amounts accrued by $4,621,496. Unfunded prior service costs aggregated approximately $13,375,863. The Company's provisions under pension plans aggregated $1,779,419 in 1974 and $1,545,356 in 1973. In order to comply with the Employee Retirement Income Security Act of 1974, certain changes to the existing plans as regards vesting, participation and funding will have to be made. The effect of such changes cannot be presently determined pending completion of further studies.

Earnings Per Share: Earnings per share are computed by dividing net earnings, after deducting preferred dividends, by the average number of common shares outstanding during the year. The conversion of the Convertible Subordinated Debentures and exercise of the outstanding stock options would not result in dilution of earnings per share in 1974 and 1973.

Store Opening and Closing Costs: The Company follows the practice of charging new store opening costs against earnings as incurred. In the event a store is closed before its lease has expired, the total lease obligation, if any, less sub-rental income, is provided for in the year of closing.

(2) PROPERTY, PLANT AND EQUIPMENT

Pursuant to an order of condemnation, a subsidiary of the Company was compelled to surrender possession of certain land and building on April 20, 1971. The subsidiary has recorded as a deferred credit, $6,620,000 in payments it received in 1973, toward the final award. Relocation and related expenses incurred by the Company have been deferred and will be applied to the proceeds of the final award which is currently pending. In the opinion of management, the Company will not sustain a loss on the disposition of these assets.

(3) FEDERAL INCOME TAXES

The Federal income tax expense in 1974 of $18,823,000 and $22,676,000 in 1973 produced effective tax rates of 38.4% and 40.2% respectively. The effective rate was less than the U.S. statutory income tax rate by 9.6% in 1974 and 7.8% in 1973 for the following reasons:

	1974 % of pre-tax income	1973 % of pre-tax income
Consolidated Federal Income Tax	38.4	40.2
75%-owned subsidiaries not includable in the consolidated Federal income tax return	6.7	5.2
Other book/tax differences	2.9	2.6
U. S. Statutory income tax	48.0	48.0

The provision for Federal income taxes includes deferred taxes of \$1,048,000 in 1974 and \$985,000 in 1973, and has been reduced by investment tax credits of \$522,000 in 1974 and \$552,000 in 1973. State and local taxes of \$5,207,082 (\$5,697,405 in 1973) are included in Store operating, selling, general and administrative expenses.

(4) LONG-TERM DEBT

Long-term debt at December 31, 1974 and 1973 consisted of the following:

	1974	1973
$4\frac{7}{8}$% Convertible Subordinated Debentures due June 1, 1996	\$25,000,000	\$25,000,000
$4\frac{7}{8}$% Debentures, due 1980	4,200,000	4,800,000
$6\frac{1}{2}$% Promissory Note, payable in quarterly installments through 1984	1,333,000	1,449,000
$6\frac{1}{4}$% Mortgage Notes, payable in monthly installments through 1989	1,320,243	1,379,880
$7\frac{1}{2}$% Mortgage Notes, payable in monthly installments through 1999	494,598	510,038
$7\frac{1}{4}$% Note, payable in quarterly installments through 1977	427,619	627,619
6% Mortgage Notes, payable in semi-annual installments through 1992	850,000	880,000
5-6% Mortgage Notes, payable in semi-annual installments through 1983	720,000	800,000
$8\frac{3}{4}$% Mortgage Notes, payable in monthly installments through 1989	584,359	—
Other mortgages and notes payable	720,408	920,195
	35,650,227	36,366,732
Less current installments	(664,852)	(707,305)
	\$34,985,375	\$35,659,427

The $4\frac{7}{8}$% Convertible Subordinated Debentures are convertible into common stock at the option of the holder up to June 1, 1996, at the price of \$32 per share, subject to adjustment in certain events. The Debentures are redeemable at the option of the Company at 104.144% of the principal amount on or before May 31, 1975, and thereafter at declining amounts to par. The Indenture provides for the establishment of a sinking fund commencing in 1982. The Debentures due 1980 are redeemable at the option of the Company at 100.875% of the principal amount on or before April 14, 1975, and at declining amounts to par thereafter.

The Indentures relating to the $4\frac{7}{8}$% Convertible Subordinated Debentures due 1996 and the $4\frac{7}{8}$% Debentures due 1980 contain provisions for certain restrictions as to payment of cash dividends and retirement of the Company's capital stock. At December 31, 1974, \$30,194,441 of the consolidated retained earnings was so restricted.

(5) STOCK OPTION PLANS

Stock Option Plan—1964: Under a qualified stock option plan adopted in 1964, options have been granted to key managerial employees, at fair market value on date of grant. The right to exercise such options commences one year from the date of the grant and expires five years after such date. At December 31, 1974, 467,490 shares of common stock were reserved under the plan, options for 282,000 shares were exercisable, and 181,990 shares were available for grant under the plan.

Information with respect to options granted under this plan is as follows:

	Number of Shares	Option Price Range per Share
Shares under option at December 31		
1973	439,530	\$13.94-\$37.13
1974	285,500	6.88- 37.13
Shares which became exercisable during:		
1973	52,200	\$29.81-\$37.13
1974	1,000	31.63
Options exercised during:		
1973	110,000	\$13.94-\$28.69
1974	—	—

Stock Option Plan—1973: On April 10, 1973, the shareholders approved the termination of the Company's Incentive Stock Purchase Plan, thereby restoring 787,580 shares of common stock, previously reserved under the plan, to authorized and unissued shares. On the same date, the shareholders approved the adoption of a Stock Option Plan which provided for the grant of options for a maximum of 300,000 shares of the Company's common stock to corporate officers and other key managerial employees of the Company. The stock options granted under such plan may be designated as either qualified or non-qualified. The right to exercise such options commences one year from the date of grant and expires 10 years after such date. At December 31, 1974, 300,000 shares of common stock were reserved under the plan and 18,500 shares were available for grant under the plan. During 1974 options were granted at fair market value on date of grant.

Information with respect to options granted under this plan is as follows:

Shares under option at December 31	Number of Shares	Option Price Range per Share
1973	157,250	\$22.75-\$28.00
1974	281,500	9.50- 28.00
Shares which became exercisable during:		
1973	—	—
1974	150,000	\$22.75-\$28.00

No options were exercised during 1973 and 1974.

(6) LEASE RENTALS AND COMMITMENTS

The Company and its subsidiaries lease various plant, warehouse, office, and retail store facilities under lease agreements expiring between 1975 and 2003. For purposes of the following disclosure, the Company makes a distinction between "financing" and other lease arrangements. A "financing" lease is one which, during the non-cancellable lease period, either (i) covers 75 percent or more of the economic life of the property or (ii) has terms which assure the lessor a full recovery of the fair market value of the property, plus a reasonable return on his investment.

Rental Expense: Rental expense for 1974 and 1973 is as follows:

	1974		1973	
	Financing	Non-Financing	Financing	Non-Financing
Basic Rentals	\$1,272,383	\$32,618,266	\$1,082,265	\$29,306,432
Contingent Rentals	—	33,541,630	—	29,891,649
	1,272,383	66,159,896	1,082,265	59,198,081
Sub-Rentals	—	(843,320)	(8,500)	(840,522)
Total Rentals	\$1,272,383	\$65,316,576	\$1,073,765	\$58,357,559

Included in contingent rentals are rentals for leased shoe departments which are based on sales with additional rentals based on profits, if any. The remaining contingent rentals are based only on sales.

Minimum Rental Commitments: Minimum rental commitments under lease agreements at December 31, 1974, are as follows:

	Minimum Rentals		Minimum Sub-Rentals	
	Financing	Non-Financing	Financing	Non-Financing
1975	\$1,251,994	\$ 31,091,212	—	\$ 779,834
1976	1,251,994	30,280,230	—	589,665
1977	1,251,994	28,655,963	—	481,860
1978	1,245,994	27,005,775	—	430,063
1979	1,245,994	25,480,739	—	387,446
1980-84	6,208,885	102,223,964	—	1,140,956
1985-89	5,950,616	67,125,446	—	484,323
1990-94	5,644,528	27,774,406	—	191,740
Thereafter	7,239,465	4,259,820	—	28,848

The present value of the net minimum lease commitments for financing leases amounted to \$13,609,174 as of December 31, 1974 (\$11,529,015—December 31, 1973). The present value of sub-rental payments amounting to \$1,207 at December 31, 1973 (none—December 31, 1974) have been deducted in arriving at such amounts. The interest rates used to calculate such present values ranged from 4.5% to 10.0% in 1974 and 1973. These rates approximate the interest rates for mortgage borrowings at the time of entering into the various leases. The weighted average interest rate based on present value approximated 7.7% in 1974 and 7.9% in 1973.

If all financing leases were capitalized and amortized on a straight-line basis, in lieu of charging rentals to earnings as incurred, the effect on net earnings would be less than 1.0% in 1974 and 1973.

(7) EVENT SUBSEQUENT TO DATE OF FINANCIAL STATEMENTS

In February, 1975 the Company reached an agreement in principle with S.S. Kresge Co. (Kresge), the minority interest owner in the Company's leased shoe department operations, whereby Kresge will increase its equity interest owned at December 31, 1974 from 25% to 49% through additional investment over the next four years. The Company and Kresge will also share investment on a 51-49% basis in all new K-Mart shoe operations to be opened during the next ten years. License agreements for existing and new stores will have a term of 25 years, subject to meeting performance standards based on sales and profitability. The first ten years of the agreement will not be subject to performance standards. There will be no change in the present rental provisions. This arrangement is subject to approval of a final agreement, which when signed, will be effective January 1, 1975, and in addition, its implementation will require either an amendment to the $4\frac{7}{8}$% Debentures due 1980, or the purchase and/or call of such Debentures.

Ten Year Financial Summary

Melville Shoe Corporation and subsidiary companies

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Summary of Operations (000's Omitted)										
Net Sales	**$765,059**	$710,545	$631,918	$556,062	$468,236	$386,030	$313,456	$258,752	$234,313	$203,545
Cost of Goods Sold, Buying and Warehousing Costs	**457,349**	415,679	370,279	322,761	275,067	228,220	181,848	149,051	138,092	118,975
	307,710	294,866	261,639	233,301	193,169	157,810	131,608	109,701	96,221	84,570
Store Operating, Selling, General and Administrative Expenses	**241,350**	224,625	195,577	175,370	146,292	117,621	97,782	82,503	74,754	67,233
Depreciation and Amortization	**12,556**	10,914	9,309	7,769	5,726	4,575	3,950	3,455	3,292	3,148
Interest Charges	**5,808**	3,696	2,755	2,478	2,421	1,687	795	584	662	647
	259,714	239,235	207,641	185,617	154,439	123,883	102,527	86,542	78,708	71,028
	47,996	55,631	53,998	47,684	38,730	33,927	29,081	23,159	17,513	13,542
Other Income—Net	**1,058**	734	1,008	(40)	220	674	372	249	120	126
Earnings Before Federal Income Taxes and Minority Interests	**49,054**	56,365	55,006	47,644	38,950	34,601	29,453	23,408	17,633	13,668
Federal Income Taxes	**18,823**	22,676	24,002	20,497	16,261	14,343	12,192	9,103	6,574	5,324
	30,231	33,689	31,004	27,147	22,689	20,258	17,261	14,305	11,059	8,344
Minority Interests	**3,396**	3,083	2,452	2,032	1,143	633	227	—	—	—
Net Earnings	**26,835**	30,606	28,552	25,115	21,546	19,625	17,034	14,305	11,059	8,344
Earnings Applicable to Common Shares	**26,526**	30,279	28,204	24,754	21,165	19,229	16,625	13,866	10,599	7,854
Average Number of Common Shares Outstanding*	**24,552**	24,536	24,405	24,275	24,096	23,828	22,867	21,933	22,121	22,324
Per Share Results of Common Stock*										
Net Earnings	**$ 1.08**	$ 1.23	$ 1.16	$ 1.02	$ .88	$ .81	$ .73	$ .63	$ .48	$ .35
Dividends	**.46¼**	.44½	.41⅗	.40	.37½	.32½	.27½	.20	.15⅝	.12½
Book Value	**6.73**	6.12	5.28	4.46	3.78	3.22	2.64	2.15	1.79	1.52
Taxes—All	**1.60**	1.70	1.65	1.38	1.11	.94	.84	.70	.54	.45
End of Year Position (000's Omitted)										
Current Assets	**$206,478**	$208,263	$185,008	$165,173	$127,674	$111,913	$ 91,482	$ 77,352	$ 67,275	$ 61,596
Current Liabilities	**59,770**	74,805	64,032	62,170	56,141	43,043	32,895	26,549	20,644	18,977
Current Ratio	**3.45**	2.78	2.89	2.66	2.27	2.60	2.78	2.91	3.26	3.25
Property, Plant and Equipment (000's Omitted)										
At Cost	**$149,868**	$136,917	$117,895	$105,816	$ 88,711	$ 73,128	$ 65,128	$ 57,451	$ 53,316	$ 50,361
Net After Accumulated Depreciation	**80,064**	76,584	64,821	58,344	46,006	33,820	26,617	20,893	18,377	17,350
Capital Additions	**18,071**	24,286	17,785	22,383	20,073	14,736	9,059	6,409	4,945	4,971
Wages and Compensation (000's Omitted)	**$133,559**	$129,713	$116,509	$102,859	$ 91,617	$ 78,457	$ 69,111	$ 57,279	$ 51,827	$ 46,122
Percent to Net Sales										
Earnings Before Federal Income Taxes and Minority Interests	**6.41%**	7.93%	8.70%	8.57%	8.32%	8.96%	9.40%	9.05%	7.53%	6.72%
Net Earnings	**3.51%**	4.31%	4.52%	4.52%	4.60%	5.08%	5.43%	5.53%	4.72%	4.10%
Percent Net Earnings to Shareholders' Equity	**16.96%**	22.23%	24.30%	24.92%	24.78%	27.79%	29.44%	28.23%	24.24%	19.77%
Number of Stores	**2,766**	2,590	2,417	2,240	1,973	1,666	1,510	1,366	1,314	1,275

*Adjusted to reflect two-for-one stock split on April 10, 1968, April 14, 1970, and April 11, 1972.

Management's Discussion and Analysis of the Consolidated Summary of Operations

1974 vs. 1973

In 1974, Net Sales increased 7.7% over the 1973 level. Same store sales showed a nominal increase while the number of stores showed a 6.8% increase over 1973.

Cost of Goods Sold, Buying and Warehousing Costs in 1974 increased as a percentage of sales over the 1973 level due primarily to greater markdowns taken as a result of more promotions and the reduction of inventory levels. The percentage to sales in 1974 of Store Operating, Selling, General and Administrative Expenses was equal to 1973.

Depreciation and Amortization increased $1.6 million in 1974 over 1973 principally as a result of the number of new stores and increased construction costs.

Interest Charges increased $2.1 million in 1974 over the 1973 level due to increased short-term borrowings and higher interest rates.

Earnings Before Federal Income Taxes and Minority Interests decreased $7.3 million in 1974 from the prior year. The major reduction in profitability was attributable to the men's apparel divisions as well as shoe manufacturing.

Federal Income Taxes for 1974 were $3.9 million lower than 1973 as a result of the reduction in earnings before taxes.

1973 vs. 1972

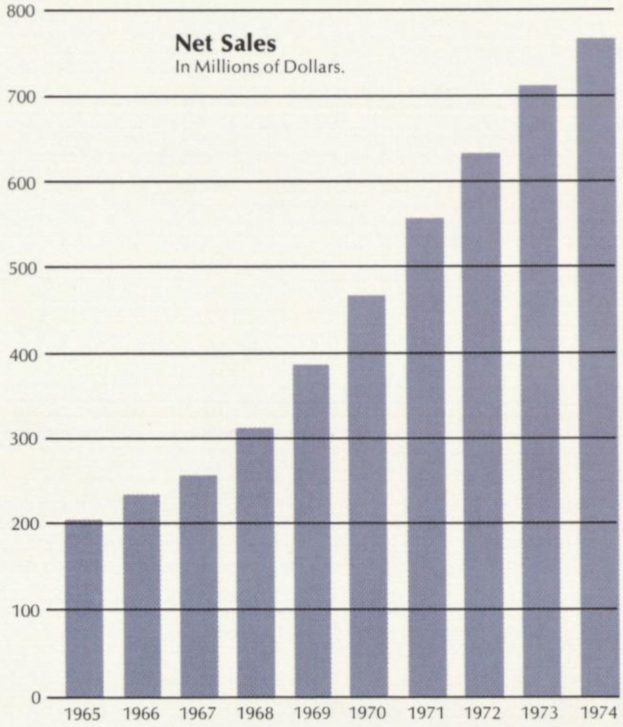
Net Sales in 1973 increased 12.4% over the 1972 level due to same store sales increases of 4.7% and an increase in the number of stores from 2,417 in 1972 to 2,590 in 1973, an increase of 7.2%.

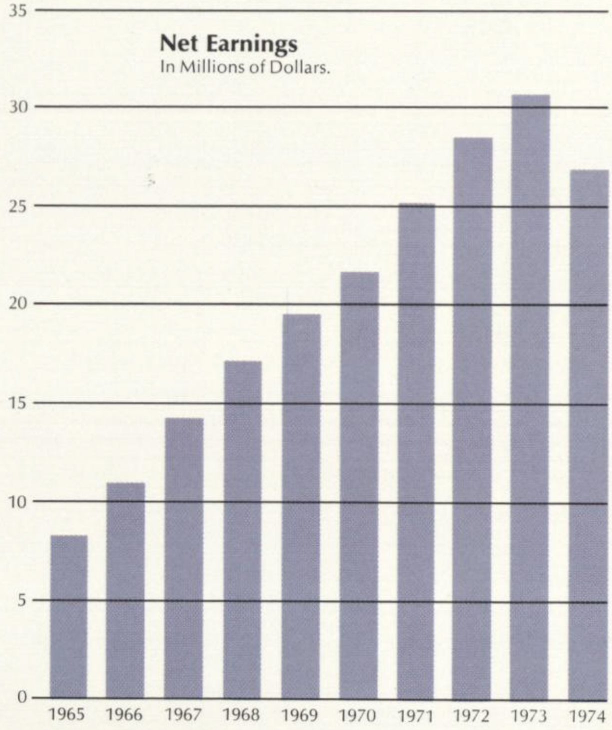
Cost of Goods Sold, Buying and Warehousing Costs in 1973 increased 12.3% over 1972 in line with the sales increase. The increase of 14.9% in Store Operating, Selling, General and Administrative Expenses was due to the 173 additional stores, and the rising costs in operating expenses due to inflationary pressures.

Depreciation and Amortization increased $1.6 million in 1973 over 1972 primarily because of the increased number of stores and the increased construction costs.

Interest Charges in 1973 increased $.9 million over 1972 due primarily to increased short-term borrowings at higher rates than prevailed in 1972.

Minority interests increased $.6 million in 1973 over 1972 as a result of increased profitability of the related operations.





Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
345 Park Avenue
New York, New York 10022

To the Board of Directors
and Shareholders
Melville Shoe Corporation:

We have examined the consolidated balance sheets of Melville Shoe Corporation and subsidiary companies at December 31, 1974 and at December 31, 1973, and the related statements of earnings, shareholders' equity, and changes in financial position for each year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1974 and at December 31, 1973, and the results of their operations and changes in financial position for each year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

February 20, 1975

Directors and Officers

Melville Shoe Corporation, 3000 Westchester Avenue, Harrison, New York 10528

Directors

WARD MELVILLE
Chairman of the Board of the Corporation

CHESTER BAYLIS, JR.*
A Director of Bankers Trust New York Corporation and various other corporations

KENNETH K. BERLAND
Financial Vice President and Treasurer of the Corporation

LEIGHTON H. COLEMAN*
Partner in law firm of Davis Polk & Wardwell, New York, N.Y.

ROBERT C. ERB
Retired; former President of the Corporation

EDWARD S. FITZGIBBONS
Senior Vice President of the Corporation

FRANCIS H. GLEASON
Retired; former Senior Vice President of the Corporation

ROBERT C. KUHN
Vice President of the Corporation and President of the Meldisco Division

ROBERT McDONALD
President of Anderson, Clayton Foods, food processors and distributors

LAWRENCE E. McGOURTY
Vice President of the Corporation and President of the Thom McAn Shoe Company Division

FRANK MELVILLE*
President of The History Book Club, Inc., book distributors

FRANCIS C. ROONEY, JR.
President and Chief Executive Officer of the Corporation

MICHAEL M. ROSENBERG
Managing Partner of Dragon Bay Company, a private investment company

MURRAY M. ROSENBERG
Chairman of the Executive Committee of the Corporation

RICHARD E. WEST
Vice President of the Corporation and President of the J. F. McElwain Company and Blue Ridge Shoe Company Divisions

Executive Committee

MURRAY M. ROSENBERG
Chairman
KENNETH K. BERLAND
LEIGHTON H. COLEMAN
FRANCIS H.GLEASON
FRANK MELVILLE
WARD MELVILLE
FRANCIS C. ROONEY, JR.

Officers

WARD MELVILLE
Chairman of the Board

FRANCIS C. ROONEY, JR.
President and Chief Executive Officer

EDWARD S. FITZGIBBONS
Senior Vice President

KENNETH K. BERLAND
Financial Vice President and Treasurer

Vice Presidents

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HARRY GREENBERG
HANS HOMBURGER
ROBERT C. KUHN
LAWRENCE E. McGOURTY
JOHN F. RIEFLER, JR.
WILLIAM E. SPERRY
RICHARD E. WEST

THOMAS S. ROTHWELL
Secretary

GILBERT G. KEMNITZ
Assistant Secretary

ARTHUR V. RICHARDS
Assistant Secretary

GILBERT LEWIN
Assistant Treasurer

JOHN J. RADEMAKER
Assistant Treasurer

*Member of The Audit Committee of the Board of Directors of the Corporation

Annual Meeting of Shareholders will be held at Melville Corporate Headquarters
3000 Westchester Avenue, Harrison, New York, at 10 a.m., April 8, 1975

Divisions

RETAIL

Thom McAn Shoe Company

67 Millbrook Street
Worcester, Mass. 01606

LAWRENCE E. McGOURTY
President

Vice Presidents
J. RICHARD NEDDER
General Manager
THOMAS BARRETTE
JAMES F. BARRY
RICHARD W. EGAN
JOHN J. GLEESON
VICTOR P. MANGINI
NORMAN G. MEHRINGER
JOSE PALACIOS
JOHN J. RADEMAKER
Controller
WILLIAM YEAGER
DON YOUNG

Meldisco

Continental Plaza
401 Hackensack Avenue
Hackensack, N.J. 07601

ROBERT C. KUHN
President

Vice Presidents
JACK ENTEL
General Manager
ERNEST OSOROWITZ
Controller
IRA H. PETERMAN
ARNOLD B. POMERANTZ
MORRIS SALTIEL
HARVEY A. SCHAFLER
ELLIOTT SCHWARTZ
HENRY WANSING
JOHN F. WARD

Miles Shoes

1001 Southbridge Street
Worcester, Mass. 01610

HERBERT A. COHEN
President

Vice Presidents
ROBERT NASSIF
JAMES M. ROYCE, JR.

CHARLES R. CUMELLO
Controller

Chess King

44 Hammond Street
Worcester, Mass. 01610

MICHAEL J. BOYLE
President

ROBERT R. WEAVER
Vice President

BERNARD K. WHOOLERY
Controller

Foxmoor

393 Manley Street
West Bridgewater,
Mass. 02319

HARRY GREENBERG
President

Vice Presidents
BARRY GERTSMAN
SHERWIN E. HOLLANDER
STEPHEN L. JACOBS
WILLIAM F. NANDOR

WESLEY D. WRIGHT
Controller

Consumer Value Stores

400 Founders Drive
Woonsocket, R.I. 02895

STANLEY P. GOLDSTEIN
President

SIDNEY S. GOLDSTEIN
Executive Vice President

WILLIAM B. KONAR
Senior Vice President

Vice Presidents
DAVID V. FERRON
KEVIN HUGHES
DAVID R. JONSON
Controller
TROY KETCHUM
HARVEY ROSENTHAL

Vanguard Ltd.

67 Millbrook Street
Worcester, Mass. 01606

KEVIT R. COOK
President

JOHN J. RADEMAKER
Controller

MANUFACTURING

J. F. McElwain Company

12 Murphy Drive
Nashua, N.H. 03060

RICHARD E. WEST
President

Vice Presidents
D. JOHN GRASSO
Controller
J. RICHARD BURNS
JOHN R. DeWITT
DONALD W. ERION
A. BYRON MANSFIELD
RICHARD C. NUCCI
JOSEPH L. PIOTROWSKI
GORDON J. WILSON

Blue Ridge Shoe Company

Spring Street and River Road
Wilkesboro, N.C. 28697

RICHARD E. WEST
President

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Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request. Requests should be mailed to Melville Corporate Headquarters, attention of Thomas S. Rothwell, Secretary.

Melville Shoe Corporation is listed on the New York Stock Exchange. Its trading symbol is MES.